Weekly Economic Review

Slowing earnings growth

Average Weekly Earnings

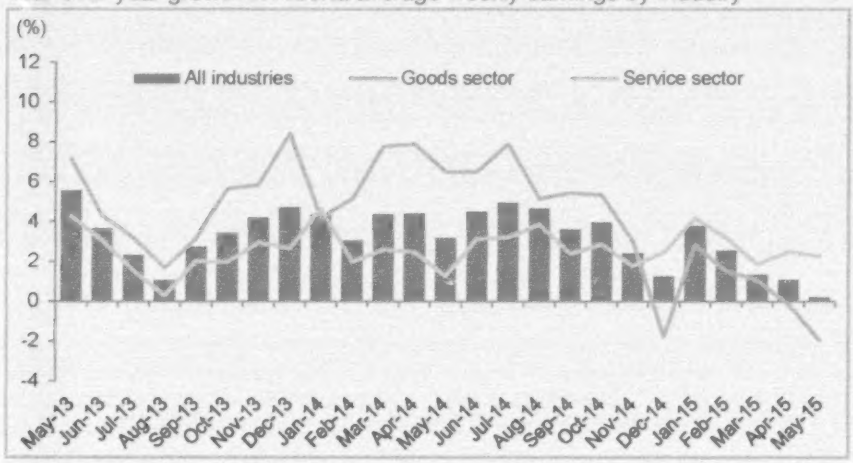
Earnings continue to decline

Average weekly earnings (AWE) in Alberta fell 0.3% to $1,153 in May, the fourth-straight month of falling earnings. Year-over-year growth was just 0.2%, the lowest rate of growth in almost 20 years. The goods sector continues to drag down overall earnings growth, down 1.2% from April, and 1.9% year-over-year (y/y). The majority of industries within the goods sector experienced both year-over-year and month-over-month declines. Service sector AWE has been more stable, maintaining its earnings level from last month, and growing 2.3% from a year prior (Chart 1).

Across Canada, earnings averaged $948 in May, down from April, but up 1.4% y/y. Alberta, Quebec and Nova Scotia experienced year-over-year growth of below 1%.

Chart 1: A decline in goods sector earnings pulls down overall earnings

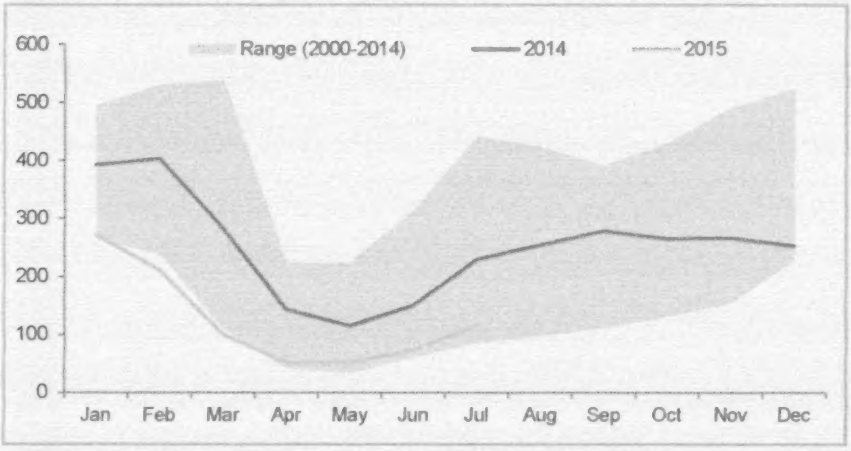
Year-over-year growth in Alberta average weekly earnings by industry



Source: Statistics Canada

Chart 2: The number of rigs drilling remains near 15-year lows

Monthly average number of oil and gas rigs drilling in Alberta



Source: Canadian Association of Oilwell Drilling Contractors (CAODC)

Rigs Drilling

Down by half

There were 117 rigs drilling for oil and gas in Alberta during July, a decrease of 49% y/y. Rigs drilling activity continues to follow the twenty-year minimum set in 2009, the last time oil markets tumbled. Rig utilization was 22%, down almost 20 percentage points from 2014 (Chart 2). Rig activity has been declining across North America, with the number of rigs drilling falling 45% y/y nationally, and 54% in the US.

Metres Drilled

Oil drilling weak

Statistics on the number of metres drilled come out two months later than the rig count, with the latest data available for May. Total metres drilled in Alberta was down by two-thirds from May 2014, as drilling activity remains depressed. Drilling was down for all resources, with gas drilling falling 22% and oil down 73%. Unlike in previous months, conventional drilling (-64% y/y) declined by less than bitumen (-80% y/y) Year to date, there were half as many meters drilled as in 2014, as metres drilled for oil is down by over 70%.

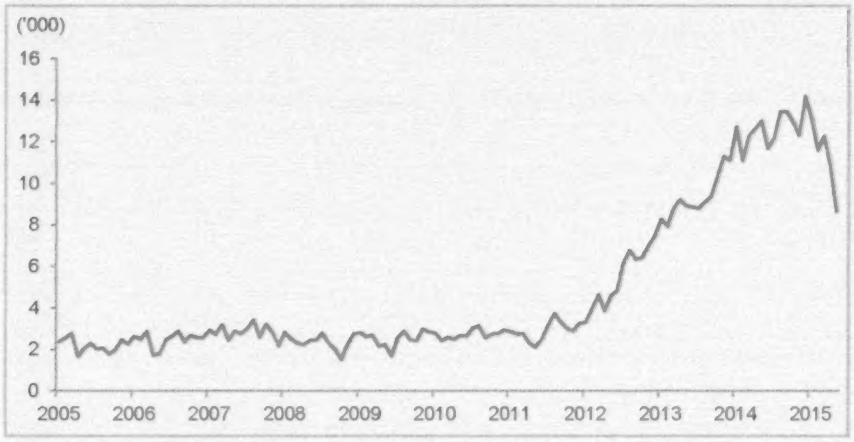
Railcar Loadings

Railcar Loadings Trending Downwards

There were 154,000 railcars loaded in Western Canada during May 2015, a decrease of 11% (y/y). Oil carloadings surged in 2012 and 2013, but have dropped off substantially this year, falling by 33% y/y (Chart 3) to below early 2013 levels. Agriculture and food product loadings were down 16% from 2014, which saw a surge in crop exports. Coal loadings continue to trend downwards, while gains were seen in chemicals, wood products, and metal and mineral products. Year-to-date carloadings were up just 0.4% above 2014 levels.

Chart 3: Oil and crude rail carloads in Western Canada decline

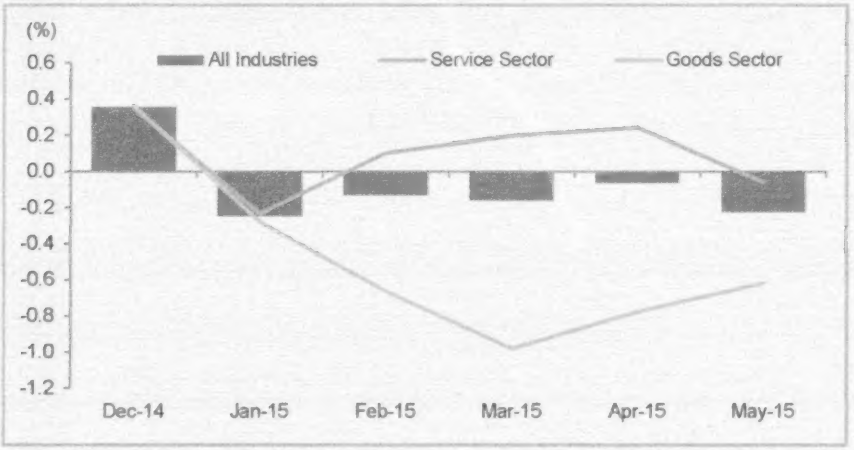
Monthly Western Canada railcars loaded with crude oil



Source: Statistics Canada

Chart 4: Canadian real GDP contracts for the fifth-straight month

Monthly change in Canadian real GDP by industry



Source: Statistics Canada

Canadian real GDP

GDP falls again

The Canadian economy continued to weaken in May. Real GDP declined by 0.2%, the fifth consecutive month of declining activity (Chart 4). Canada's manufacturing sector was the biggest contributor to the monthly decline, down 1.7%. Oil and gas extraction declined for the third month (-1%), though the pace of contraction slowed. Nonconventional oil production was down by 0.6%, while conventional extraction fell by 1.4%. Though support activities for mining, oil and gas ticked up by 2.8% (m/m), output remained down 40% compared to May 2014. Services industries have not been immune to slowdown, as activity slowed by 0.1%.

US Real GDP

Growth bounces back

US real GDP bounced back in the second quarter, growing by 2.3% (annualized). The first quarter estimate was also revised up from -0.2% to 0.6%. Net exports boosted growth despite the strong US dollar. Exports rose by 5.3% after contracting during the first quarter, while import growth slowed. Private sector consumption also ticked up to 3%, with both durable and non-durable goods improving.The housing market continued to exude strength, with residential investment up by 6.6%. Several sectors remained weak including business investment in equipment (-4%) and non-residential structures (-1.6%). Federal government spending also waned (-1.1%), as both defense and non-defense spending by the federal government declined.

Contact

Nachum Gabler 780.638.3238

Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.